

PREPAID SALES TAX FLOW CHART WHEN GAS PRICES ARE FALLING

APRIL 1-30

Treasury calculates the prepaid sales tax using the average statewide price of a gallon of regular unleaded gas less the motor fuel tax and the sales tax for January 1 to March 31.

MAY 1

Treasury issues Revenue Administrative Bulletin setting the prepaid sales tax due on a gallon of gasoline for the period beginning June 1

EXAMPLE

Average price \$3.00 then prepaid tax is 18 cents/gallon.

MCL 205.56a

JUNE 1

Refiners, pipeline and marine terminal operators charge the new prepaid rate to wholesale gas distributors.

EXAMPLE

A wholesale gas distributor buys 1,000 gallons from a refiner and pays the refiner \$180 in prepaid sales tax. The refiner retains a copy of the invoice. The refiner remits prepaid tax of \$180 to Treasury.

JUNE 2

EXAMPLE

Wholesaler sells 200 gallons to an out-of-state retailer who does not owe tax and therefore does not reimburse the wholesaler for the prepaid sales tax.

$$200 \times .18 = \$36$$

Wholesaler sells the remaining 800 gallons to a Michigan retailer that reimburses the wholesaler for the prepaid sales tax. Keeps a copy of the invoice.

$$800 \times .18 = \$144$$

JUNE 3-30

EXAMPLE

Michigan retailer sells all 800 gallons of gasoline for \$2.00/gallon at the pump. Sales tax is 12 cents/gallon. Sales tax owed to the State is $800 \times 12 \text{ cents} = \96

JULY 1

EXAMPLE

Wholesaler files a Wholesale Distributor Prepaid Sales Tax Report with Treasury and claims a refund of \$36 for the out-of-state retailer sale.

Wholesaler has been reimbursed for all prepaid sales tax either from the Michigan retailer (\$144) or from Treasury (\$36)

JULY 1

EXAMPLE

Retailer files a Treasury Form 160 sales tax return showing \$96 in sales tax collected at the pump. It also files a Supplemental Report showing \$144 prepaid to the wholesaler for a REFUND due the Retailer from Treasury of \$48.

JULY 1-31

Treasury reviews April-June average statewide unleaded regular gas price. A new RAB will be issued by August 1 for a new prepaid amount beginning September 1, if the price has changed by more than 10%. MCL 205.56a

PREPAID SALES TAX FLOW CHART WHEN GAS PRICES ARE RISING

